

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 XMB-07 DOTE-00 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

INR-10 NSAE-00 RSR-01 /094 W
----- 091061

R 301442Z JUL 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 6858

USDOC WASHDC

INFO AMCONSUL ZAGREB

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PASS EXIM

E.O. 11652: N/A

TAGS: BTRA, YO

SUBJECT: PULLMAN STANDARD

REF: STATE 143134

1. BEGIN SUMMARY. REPRESENTATIVES OF PULLMAN HAD SERIES OF MEETINGS DURING WEEK OF JULY 23 - 27 WITH AMBASSADOR, YUGOSLAV RAILWAYS AND VARIOUS KEY OFFICIALS OF ASSOCIATION OF ROLLING STOCK PRODUCERS AND THE MANUFACTURERS OF FREIGHT CARS. MEETINGS RESULTED IN "AGREEMENT TO AGREE" ON JOINT PRODUCTION OF 4,000 FREIGHT CARS. PULLMAN INTENDS SUBMIT, TOGETHER WITH YUGOSLAV PRODUCER OF FREIGHT CARS, BID TO RAILWAYS BY SEPT. 13. END SUMMARY.

2. RON BAKER, PULLMAN VICE PRESIDENT FOR INTERNATIONAL SALES, AND OTHER PULLMAN REPS LISTES REFTEL, HAD BUSY WEEK WITH SPATE OF APPOINTMENTS SCHEDULED BY BUJE EXPORT, WHICH HAS ASSISTED WITH VARIOUS ASPECTS OF TALKS. AGENCY AGREEMENT WITH BUJE NOT YET SIGNED. PULLMAN REPS MET WITH (1) ASSOCIATION OF LOCOMOTIVE AND RAILWAY CAR MANUFACTURERS (ILV) TO DETERMINE YUGOSLAV MANUFACTURER APPROPRIATE FOR JOINT PRODUCTION AND PARAMETERS OF BID; (2) ASSOCIA-
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ENTERPRISE FOR MACHINE BUILDING (MAG) WHICH PRODUCES 70 PERCENT OF FREIGHT CARS IN YUGOSLAVIA; (3) MACHINE BUILDING INDUSTRY (IMO) FOR POSSIBLE INTEREST IN DEAL ON PASSENGER CARS, FOR WHICH PULLMAN HAS NO INTEREST AT THIS TIME; (4) ASSOCIATION OF YUGOSLAV RAILWAYS (ZJZ) TO WHOM BID WILL BE SUBMITTED; AND (5) BEOGRADSKA BANKA ON FINANCING.

3. AT END OF WEEK BAKER INFORMED AMBASSADOR THAT PULLMAN REACHED "AGREEMENT TO AGREE" WITH MAG ON JOINT PRODUCTION OF 4,000 FREIGHT CARS, INSTEAD OF ORIGINAL 7,000 PROPOSED BY YUGOSLAVS. PULLMAN IS TO SUPPLY ENTIRE FRAME PORTION OF CARS AND MAG TO PRODUCE TRUCK ASSEMBLY. PULLMAN AND MAG PLAN TO SUBMIT JOINT BID TO ZJZ TO INCLUDE COMPLETE TECHNICAL SPECIFICATIONS, PRICE, DELIVERY DATE AND FINANCING.

BAKER SAID THAT MAG HAS HIGH PRICE TAG ON TRUCK ASSEMBLY COSTS, AND U.S. PERCENTAGE OF DEAL NOT YET DETERMINED. PULLMAN BELIEVES THAT U.S. INPUT MAY REPRESENT ABOUT 50 PERCENT OF TOTAL COST, BUT THIS WILL BE SETTLED WHEN FIRM PRICES ARE MADE AVAILABLE BY MAG.

4. FINANCING WAS CRITICAL FACTOR IN TALKS. BID WILL INCLUDE OFFER ON TOTAL FINANCING. PULLMAN FOUND EXIM PRELIMINARY COMMITMENT TO BE VERY HELPFUL. IN FACT, BAKER STATED THAT THIS SUPPORT WAS KEY TO PULLMAN COMPETITIVENESS WITH OTHER COUNTRIES WHICH THE YUGOSLAVS INSIST HAVE OFFERED VERY ATTRACTIVE BIDS (GERMANY, ENGLAND, SWITZERLAND, SPAIN). YUGOSLAV PORTION OF COSTS TO BE COVERED BY SEPARATE LINE OF CREDIT WHICH PULLMAN WILL SEEK, MOST PROBABLY FROM LONDON EURODOLLAR MARKET. YUGOSLAVS, PREDICTABLY, ARE SEEKING OFFSET ARRANGEMENT FOR REPAYMENT OF CREDITS. PULLMAN RELUCTANT TO TAKE THIS ON, BUT SAID THEY WOULD CONSIDER SPECIFIC PROPOSALS.

5. WASHINGTON PULLMAN REP GRIFFIN WILL CALL ON STATE AND EXIM TO PROVIDE FURTHER DETAILS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BELGRA03413
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973074/aaaaacmd.tel
Line Count: 95
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 143134
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 12 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Oct-2001 by shawdg>; APPROVED <10-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PULLMAN STANDARD
TAGS: BTRA, YO
To: SECSTATE WASHDC WASHDC ZAGREB
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005